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FISCAL IMPACT STATEMENT

LS 7735

BILL NUMBER: HB 1530

NOTE PREPARED: Jan 28, 2005

BILL AMENDED: Jan 27, 2005

SUBJECT: Mandatory School Attendance Age.

FIRST AUTHOR: Rep. Messer

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill raises the age of mandatory school attendance from 16 to 18 years of age. It requires a student who seeks to withdraw from school before becoming 18 years of age or graduating to sign a written acknowledgment that the student and the student's parent or guardian understand that withdrawing from school is likely to reduce the student's future earnings and increase the student's likelihood of being unemployed or incarcerated in the future. The bill requires the Department of Education, "DOE", to develop a written consent to withdraw from school form for a school corporation to use in implementing the written acknowledgment. It also expands the reasons a work permit and driver's license may be denied.

Effective Date: (Amended) Upon Passage; July 1, 2005.

Explanation of State Expenditures: (Revised) DOE could incur some additional expense in developing the consent to withdraw form and collecting information on the number of students that withdraw from school. The increased costs would probably be minor, and DOE's current level of resources should be sufficient to implement these changes.

The impact of the bill on the state would be on the increase in the ADM used in the school formula. According to DOE, about 4,000 students drop out of school each year during the school year, approximately 2,000 juniors and 2,000 seniors. Raising the dropout age to 18 would increase the number of students attending school by an average of about 4,000 the second year and 6,000 for the third year. The impact is delayed one year since the students are counted in the September student count in the year they withdraw. Some estimates by the Higher Education Commission are as many as 20,000 students drop out. The increase in state funding would

depend on the school formula, the calendar year cap on appropriations, and the number of additional students enrolled in schools since they could not withdraw.

Examples: The current formula is only for CY 2005. If the current formula and DOE's reported dropout data are used to measure the potential increase in state expenditures, then the approximate increase in state costs would be approximately \$8.7 M for CY 2007 and \$11.3 M in CY 2008. Property taxes would also increase by about \$2 M. The state currently funds about 67% of the school general fund levies through property tax replacement credits. The state expenditures for PTRC and Homestead Credits could increase by about \$1.3 M.

As a second example, the regular school formula revenue generates an average of \$5,300 per student for CY 2005. If schools receive \$5,300 for each student that did not drop out, then the impact could be \$21.2 M ($\$5,300 \times 4,000$).

The third example is if the increase in the students (between 4,000 or 20,000) is built into the enrollment projection of the school formula simulation. The inclusion of the students might not increase the funding to local schools, but could shift revenue between schools.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) Schools could have additional expenses with providing educational programs for the 16- to 18-year-olds who would have dropped out of schools. The additional costs would depend on the programs schools provide.

The school could incur some additional expense in reporting the number of students who withdrew or failed to return to school. The increased costs would probably be minor. The exit interview should not increase expenses since an exit interview is required under current law. The cost of the exit interview could decrease since there would probably be fewer interviews.

Explanation of Local Revenues: See *Explanation of State Expenditures*.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local Schools.

Information Sources: School Formula Simulations, Department of Education Databases.

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